

The Need for Selective Credit Policy Implementation: Case of Croatia

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Abstract : The aim of this paper is to explore the economic circumstances in which the selective credit policy, the least used instrument of four types of instruments on disposal to central banks, should be used. The most significant example includes the use of selective credit policies in response to the emergence of the global financial crisis by the FED. Specifics of the potential use of selective credit policies as the instigator of economic growth in Croatia, a small open economy, are determined by high euroization of financial system, fixed exchange rate and long-term trend growth of external debt that is related to the need to maintain high levels of foreign reserves. In such conditions, the classic forms of selective credit policies are unsuitable for the introduction. Several alternative approaches to implement selective credit policies are examined in this paper. Also, thorough analysis of distribution of selective monetary policy loans among economic sectors in Croatia is conducted in order to minimize the risk of investing funds and maximize the return, in order to influence the GDP growth.

Keywords : global crisis, selective credit policy, small open economy, Croatia

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